International Mogul Mines Limited / 1974 Annual Report

Directors

R. D. Bell, Toronto, Ontario,
Vice-President of the Company

H. R. Bennett, Toronto, Ontario,
Deputy Managing Partner, Richardson
Securities of Canada

Latham C. Burns, Toronto, Ontario
President, Burns Bros.
and Denton Limited

G. E. Creber, Toronto, Ontario
Vice-President and General Counsel,
Canadian Arctic Gas Study Limited

P. S. Cross, Toronto, Ontario
President of the Company

E. T. Donaldson, Toronto, Ontario
Mine Developer

William James, Toronto, Ontario
President, Kerr Addison Mines Limited

D. W. Knight, Toronto, Ontario
Chairman of the Board of the Company

John Kostuik, Toronto, Ontario
President, Denison Mines Limited

J. C. Lyons, Toronto, Ontario
Barrister and Solicitor

E. B. McConkey, Toronto, Ontario
Vice-President Finance
Denison Mines Limited

G. D. Pattison, Aurora, Ontario
Mining Executive

Neville Thomas

S. A. Perry, Toronto, Ontario
Honorary Chairman of the Board
of the Company

F. Gerald Townsend, F.C.A.
Mississauga, Ontario

Officers

S. A. Perry, Honorary Chairman
of the Board

D. W. Knight, Chairman of the Board

P. S. Cross, President

R. D. Bell, Vice-President

D. A. Humby, Secretary

Auditors
Thorne Riddell & Co., Toronto, Ontario

Counsel
Davies, Ward & Beck, Toronto, Ontario

Transfer Agent and Registrar
Guaranty Trust Company of Canada,
Toronto, Montreal, Winnipeg, Regina,
Calgary and Vancouver

Bankers
The Toronto-Dominion Bank,
Toronto, Ontario

Listings
The Toronto Stock Exchange
Montreal Stock Exchange

Head Office
34 Adelaide Street West, Toronto,
Ontario M5H 1L8

The Year at a Glance

	1974	1973*
Net income (loss)	**$(17,090,000)**	$ 4,749,000
Common shares issued and outstanding	**2,608,097**	2,608,097
Income per common share	**$(6.79)**	$1.73
Proven and indicated in place ore reserves (tons)	**8,470,000**	9,319,000
Ore grade — zinc %	**6.48**	6.48
— lead %	**2.75**	2.76
Common shareholders' equity	**17,426,000**	36,025,000
Per common share	**7.06**	13.81

*Restated

Contents

Annual Meeting
The Annual Meeting of International Mogul Mines Limited will be held on Tuesday, July 29, 1975 at 10:00 a.m. in Committee Room No. 4, 11th floor, Board of Trade Building 11 Adelaide St., West Toronto, Ontario

Directors' Report to Shareholders

Presented herewith is your Company's Annual Report for the year 1974.

Consolidated loss for the year 1974 before extraordinary losses was $9,068,000 or $3.67 per common share while the loss after extraordinary losses was $17,090,000 or $6.79 per common share. The net income before extraordinary items in 1973 was $6,599,000 while the income after extraordinary items was $4,749,000, the latter being restated to reflect additional Irish income tax provision of $1,690,000.

The difference between the loss of $9,068,000 in 1974 and net income of $6,599,000 in 1973, as referred to above, amounts to $15,667,000. The various factors which caused this difference are summarized as follows:

	Amount of Difference
Lower grade of ore, increased smelter charges and higher costs for labour, power, supplies and services;	$ 1,672,000
Higher administrative and general expenses throughout the consolidated group of companies with the additional cost of establishing an organization in Texas to administer natural gas interests;	$ 468,000
Higher interest costs resulting from increased borrowings and higher interest rates;	$ 1,232,000
Loss in 1974 on currency translations mainly attributable to Australian operations compared to a sizeable gain in 1973;	$ 2,235,000
Loss on marketable securities;	$ 947,000
Write-down of marketable securities and investments to market value;	$ 7,422,000
Provision for income taxes;	$ 1,376,000
Other items (net)	$ 315,000
	$15,667,000

In addition, the Company provided for a further loss in its oil and gas operations in 1974 of $8,022,000.

The Company's current bank indebtedness is $6,500,000.

1974 has been a disappointing year for your Company. The major disappointment was the realization that the large expenditures on oil and gas acquisitions and exploration in the U.S.A. had to be written-down. This not only had a severe effect on assets and current income, but has seriously impacted the future revenues expected from this source. The income taxes accrued on the profits from Mogul of Ireland Limited are responsible for a considerable reduction in the Irish profits which would otherwise have been available.

As previously reported, the Irish Government decided to remove the established tax exemption from existing mining operations effective April 6, 1974. After providing for taxes in the amount of $3,687,000, the net profit for the year for Mogul of Ireland Limited was $4,084,000. Net profit for 1973 was $8,043,000 after providing $1,690,000 for taxes. Note 8 to the Consolidated Financial Statements provides further explanation regarding Irish taxation.

Your Company received approximately $7,792,000 in dividends from Mogul of Ireland Limited during the year. At the present time the zinc producer price in Europe is £360 per metric ton and the London Metal Exchange spot lead price is approximately £160 per metric ton. One year ago, these prices were £330 and £255 respectively. While there is pressure on the prices of both zinc and lead related to the overall world economy, a general strengthening is expected in the second half of 1975. Exploration drilling is continuing in the mine area and some additional ore was proven up during the year.

Towards the end of 1974 oil and gas operations in Australia were curtailed in view of the Australian Government's attitude to foreign companies in this field of activity and the relatively large funds required to continue operations. The Pine Vale Group of Companies is now arranging that its expenditures on mineral exploration activity is primarily directed toward developing programmes and properties which can be farmed-out to major mining companies with the Pine Value Group providing management for the programme and retaining a carried interest.

For some time, your Company has held shares in Coldstream Mines Limited and presently has approximately a 18% interest in Coldstream. Coldstream, in turn, owns about 38% of the issued common shares of the Company. During the past few years the Company has advanced substantial funds to Coldstream to assist in financing its operations. These advances, including accrued interest amount to $4,443,000 and are secured by thirty-day demand debentures of Coldstream Mines Limited, which represents a floating charge on all assets of Coldstream Mines Limited and its subsidiaries. Coldstream's other interests include a controlling interest in GCL Graphic Communications Limited, a Canadian public company. GCL is active in marketing facsimile transmission machines in Canada and the United Kingdom. The other part of GCL's operations is carried on by the Interscan Group which profitably markets computer input equipment in Europe.

During 1974 your Company acquired a substantial share interest in Graphic Sciences, Inc., the manufacturer of the facsimile equipment marketed by the Company controlled by Coldstream Mines. In early 1975 the investment was sold at a small profit.

Your Company is operating in 1975 with a reduced asset base as a result of the substantial write-downs described above. The difficult financial situations in most economies in 1974 are expected to alleviate somewhat in 1975. Having taken the steps to substantially write down the assets, the prime objective of your Company will be to consolidate, reduce expenditures and construct a base for solid future growth. High on the priority list will be the reduction of indebtedness.

Mineral explorations will continue on a reduced basis but will be designed to give optimum value through Joint Ventures.

Management expresses its thanks to all staff and employees for their co-operation and understanding.

On behalf of the Board

David W. Knight
Chairman of the Board

TORONTO, Ontario
June 30th, 1975.

Mogul of Ireland

Except for a period of approximately five weeks when production was curtailed due to mechanical failures of the main production hoist, operations at your Company's 75% owned operating subsidiary Mogul of Ireland Limited were normal and at rated capacity. Operating profit amounted to $9,595,000. After deduction of interest, royalties, depreciation and amortization and providing for taxes commencing April 6, 1974, the net profit realized was $4,084,000.

Exploration

During the year the surface drilling programme, to expand the known ore zones on the main production property, continued with three drills. A total of 60 holes were completed comprising 35,903 feet. Of these holes, 19 were drilled on the "B" zone, 18 on the "C" zone, 6 on the "S" zone and 17 in the Valley area.

Drilling on the down dip extension of the "B" zone added additional ore reserves with further potential still to be tested. The down dip extension of the Upper "G" ore structure was confirmed in some of the Valley holes and will require further detailed drilling. Results of drilling on the "S" zone were of minor significance. The "C" zone drilling indicated the existence of a small ore body requiring further drilling to evaluate fully its potential.

Mine Development

Development during the year continued in the Upper "G" zone pillar recovery areas, the Lower "G" zone and in the trackless areas of the "G" and "B" zones. The tonnage of ore fully prepared for mining amounted to 1,117,620. Major development drives were commenced at year end on the down dip extension of the "B" zone as well as on the Upper "G" zone to the north of the shaft.

Exploration and Development Footage Summary	**1974**	1973	1972
Surface Diamond Drilling:	**35,903**	32,547	7,056
Underground Diamond Drilling:	**20,171**	19,026	14,270
	56,074	51,573	21,326
Major Development:	**7,795**	10,268	8,719
Stope Preparation:	**7,341**	8,549	10,460
	15,136	18,817	19,179

Ore Reserves

Surface diamond drilling during 1974 added 232,000 tons of new ore to reserves being made up of 80,000 tons in the "G" zone and 152,000 tons in the "B" zone. During the recalculation of reserves at year end, 172,000 tons were deleted resulting in a net gain of 60,000 tons. After the milling of 914,280 tons during 1974, ore reserves at year end showed a depletion of 849,000 tons.

The total in-place and broken ore reserves with dilution in all classifications at December 31, 1974 were as follows:

Ore Body	**Short Tons**	**% Lead**	**% Zinc**
Upper "G" Zone:	3,759,000	1.85	8.02
Lower "G" Zone:	774,000	3.46	4.66
Total "G" Zone:	4,533,000	2.12	7.45
"B" Zone:	3,862,000	3.50	5.32
Total "B" & "G" Zones:	8,395,000	2.75	6.47
Broken Ore:	75,000	2.86	7.37
Grand Total:	8,470,000	2.75	6.48

Surface drilling on the "C" zone has indicated approximately 250,000 tons grading 1.50% lead and 7.78% zinc which has not been included in reserves.

Mining

The total ore broken during the year from all sources amounted to 965,959 tons. Approximately 26% of mine production came from the trackless areas while pillar recovery provided 22%. The Upper "G" zone provided 49%, the Lower "G" zone 22% with the balance from the "B" zone. Longhole drilling for production purposes totalled 362,804 feet, considerably lower than previous years reflecting greater employment of trackless methods. A total of 237,775 tons of backfill was placed underground. Broken ore at year end was 74,732 tons while the tonnage of ore drilled off and not blasted stood at 324,502.

Milling

Tonnage milled for the year was 914,280 grading 2.36% lead and 6.58% zinc. Concentrate production amounted to 23,621 short tons of lead concentrate and 96,312 short tons of zinc concentrate. While recoveries of both metals were slightly lower than previous years due to the lower grade of ore treated, concentrate grades improved significantly.

Operating Costs

Total operating cost per ton of ore milled including surface exploration and marketing increased 31.9% over last year. While increased labour costs of 23% and higher supply costs contributed appreciably to this figure, the cost of power alone increased 84.0% over last year and accounted for 10.0% of total operating costs.

General

The average prices received during the year for lead and zinc were £251.96 and £332.13 per metric ton respectively, the equivalent of 26.17 and 34.50 cents per pound of metal compared to £175.46 (19.50 cents) and £214.89 (23.88 cents) for 1973.

At year end the total work force was 573 of which 120 were on staff. Total expenditures for salaries, wages and related benefits amounted to $4,864,549 representing 40.4% of total operating costs including surface exploration and marketing as compared to 43% for last year. Labour relations throughout the year were normal.

Mechanical failures of the main production hoist on two occasions suspended milling operations for a period of approximately five weeks. Losses resulting from this supension were covered by insurance.

Dividends totalling $10,390,000 were declared during the year of which 25% was distributed to Silvermines Ltd. an Irish Company.

Oil and Gas Production, Development and Exploration

Your Company owns 1,222,950 shares of Mindamar Energy Resources Limited being 27.6% of the outstanding shares. As part of the overall financing arrangements, International Mogul guaranteed a bank loan of Mindamar of up to $2.5 million U.S. for a period of three years to enable Mindamar to develop its interests in oil and gas leases in the Lipan Field in the Fort Worth Basin area of Texas. Your Company also owns directly or indirectly overriding royalties and certain working interests in various leases in the Lipan Field operated by Mindamar and interests in other oil and gas leases in the Fort Worth Basin area and elsewhere.

In the latter months of 1974 it became evident that gas production from Mindamar's property interests in the Lipan Field was materially less than anticipated by earlier projections and it was found that projected cash flow, based on actual gas sales would not be sufficient to service Mindamar's debt structure. Efforts were made by Mindamar to dispose of certain of its properties with the view of applying the proceeds of sale in reduction of outstanding debts. Some of these properties or interests required the expenditure of further development funds with the inherent risk factor attached to the drilling of exploratory wells. Estimates of the aggregate proceeds to be derived from such sales showed that insufficient funds would be realized to retire Mindamar's debts, let alone providing the means to further develop the Lipan Field wells and leases in the hope of substantially increasing gas production.

Because of your Company's position, as guarantor of Mindamar's bank loan, and to ward off the distinct possibilities of Mindamar being placed in receivership, an agreement dated January 31, 1975 was entered into between your Company and Mindamar providing for the sale to International Mogul by Mindamar of substantially all of its property and assets. In consideration, International Mogul agreed to assume certain liabilities of Mindamar including its bank loan in the amount of $2.5 million U.S. Under this agreement, which was ratified by Mindamar's shareholders at a general meeting held in March, 1975, Mindamar retains a residual interest in the net cash flow from certain properties in the Lipan Field payable only after cumulative net cash flow from such properties have reached specified amounts.

Upon completion of the aforementioned agreement made between International Mogul and Mindamar, International Mogul will hold directly or indirectly the following interests:

Production and Development

(i) Lipan Field, Hood County, Texas

Royalty interests ranging from 2.7% to 12.5% and working interests which vary from 60% to 80% in leases on which 25 potentially producing wells have been drilled. Some 21 wells are tied into a gas gathering system and current production shows sales of about 20 million cu. ft. of gas per month. When all wells are on production and the re-work program is completed by the fall of 1975, management is hopeful production will improve substantially.

(ii) Chilton Ranch, Parker County, Texas

A royalty interest of 6.8% before pay out and a 4% royalty interest after pay out, in addition to an 8.9% working interest is held in 1700 acres. One well is on production with gas sales averaging better than 1.2 million cubic feet per day. The sale price of the gas nets out to about $1.56 per MCF plus additional revenue from condensate production. Additional drilling may be undertaken. International Beaver, Mogul's Australian subsidiary holds a 37½% net revenue interest in this property.

(iii) Joiner Well, Eastland County, Texas

Production from this well will commence in the second quarter of 1975. A royalty interest in the amount of 12.5% converts to 19% working interest. A further 48.3% working interest is also held.

(iv) #1 Henry Well-Calcasieau Pass Field, Louisiana

An approximate 13.35% revenue interest is held in a one-well property which has been in production since November 1974. The average production rate is close to 1.1 million cu. ft. of gas per day. The gas is sold at a price of 80¢ per thousand cu. ft. and an additional 10¢ in liquids is also obtained.

(v) Mathers Ranch Royalty, Hemphill County, Texas

This royalty interest of slightly more than 2% in the production from 18 wells in the Mathers Ranch Field has given no indication of improvement since it was discovered that production was declining at a much faster rate than that represented at the time the interest was purchased. Legal counsel advised that the Company has a valid claim against the vendors of these royalties and legal proceedings are in progress.

Exploration

During the year participations were taken in the drilling of seventeen exploratory wells in Texas, Louisiana and Wyoming. Two were excellent discovery wells, namely, the Chilton Ranch Well and the #1 Henry Well previously mentioned, eleven wells were dry holes and four had shows of oil and gas but were subsequently abandoned.

Two wells are presently being drilled; one on the Company's Powell Park prospect in Colorado, farmed-out to Michigan Wisconsin Pipe Line Company; the other in Natrona County, Wyoming, on a small holding which is classified as an oil prospect.

Other exploration holdings consist of:

a) a 9.8% interest in 250,000 acres in the Fort Worth Basin of Texas;

b) a 50% interest in two acreage blocks comprising 23,000 acres in West Virginia and Kentucky;

c) a 75% interest in four blocks totalling 8,000 acres in Erath County, Texas;

d) a 12.5% royalty interest and a 68.6% working interest in a 240 acre lease block in Calahan County, Texas;

e) a 75% working interest in 1,700 acres in Bienville and Red River Parishes, Louisiana, some 2 miles from a discovery gas well;

f) a 75% interest in approximately 6,600 acres in Sublette County, Wyoming;

g) overseas holdings consist of a 5% interest in a Dutch North Sea concession area and a 5% interest in a 3,500 square mile concession off the coast of Qatar in the Arabian Gulf.

An extensive geophysical program on the Qatar concession has indicated the presence of several interesting structures. The agreement with the Qatar Government to develop the concession is being re-negotiated to a production sharing agreement. This may be finalized in 1975 permitting the drilling of a well before year end.

Australian Operations

Your Company owns 62.1% of the issued shares of Pine Vale Mines Limited. In turn, Pine Vale owns 55.1% of the issued shares of Beaver Exploration Australia, N.L., 63.1% of the issued shares of Otter Exploration, N.L. and 100% of the issued shares of Parkland & Properties Limited. These Australian Companies are referred to as the "Pine Vale Group".

Pine Vale Mines is principally a holding Company. Beaver and Otter explore for oil and gas and minerals. Parkland & Properties owns and profitably operates a chain of caravan parks and engages in real estate development.

At the year end the Pine Vale Group had working capital, including marketable securities at market value, of $3,443,000 and long-term debt of $1,363,000.

In the Fall of 1974, the Pine Vale Group decided to reorganize its operations to limit its total expenditures on exploration to a sum equal to projected earnings. This decision was taken in view of the present exploration, investment and political climate in Australia and the unlikelihood of being able to raise additional capital in the near future. The restructuring and scaling down of the level of operations of the Group has resulted in Beaver and Otter entering into a joint minerals exploration agreement in which the interests are Beaver 80% and Otter 20%. The agreement is for a term of three years and joint expenditure will approximate $300,000 per annum. In keeping with the foregoing Beaver has decided not to enter into any further oil and gas operations but is retaining areas of merit that it already holds. Continued efforts will be made to farm-out its petroleum properties. Otter has been successful in obtaining recognition of the mineral exploration efforts it has pursued over the past few years, in that it has negotiated a significant number of agreements whereby major mining companies will provide the funds for further evaluation of the areas concerned.

During 1974, the exploration activities of Beaver and Otter did not result in the discovery of commercial quantities of oil and gas or minerals with the exception of Beaver's 50% working interest (37½% net revenue interest) in 1700 acres at Chilton Ranch, Parker County in Texas. The first well drilled by Beaver and its partner encountered commercial gas flows and has been completed as a gas producer. Testing resulted in a calculated absolute open flow potential of 2.9 million cubic feet per day plus 29 bbls. of condensate per MMCFD produced in the upper zone and 1.1 million cubic feet per day plus 17 bbls. of condensate per MMCFD produced in the lower zone. A second well has been drilled and abandoned and an assessment of all data on the field is being undertaken before deciding to drill a third hole.

At year end the Pine Vale Group owned 1,715,556 shares of Woodside-Burmah Oil, N.L. with a market value of $1,573,000.

Investments

BLUEMOUNT RESOURCES LTD.

The Company owns 300,000 shares of Bluemount representing 15.4% of the outstanding shares. The remaining outstanding shares are held principally by certain institutional investors and Bluemount employees and are not publicly traded.

Following the completion of six gas wells in east-central Alberta during the first part of the year a number of extension and development wells were drilled. At Rosalind, Bluemount has a total of four potential gas wells, at Wavy Lake two, at Thompson Lake Southeast two, at Holden one and in the general Provost area four. Additional development wells are scheduled for drilling this summer and it is planned to have as many wells as possible tied in during the summer to begin selling gas in the fall or winter.

Bluemount recently purchased three sections at the south end of the Deer Mountain Field in Alberta. The shut-in oil well included with the lands was recompleted and stimulated and has been making its allowance for the past several months. One-half mile to the north another well was drilled and put on production as an excellent oil well. Bluemount also purchased an additional section to the east of the two producers and is contemplating further development drilling.

Bluemount's exploration efforts in Canada are being cut to a minimum concentrating instead on low-risk development drilling and the purchase of additional reserves either drilled or needing development.

COLDSTREAM MINES LIMITED

The Company owns 524,849 shares in the capital of Coldstream representing 18.0% of the outstanding shares.

Coldstream's principal asset is 995,585 common shares in the capital of the Company representing 38.2% of the issued common shares.

Other assets of Coldstream include a 100% interest in Interscan Limited, a holding company, which owns 66.2% of the shares of GCL Graphic Communications Limited which, in turn, owns a 100% interest in the Interscan group of companies which operate in the United Kingdom and Europe, and a 67.5% interest in City Associated Enterprises Limited in the Bahamas.

The business of GCL is carried on through two divisions. One division distributes a range of computer input systems in the United Kingdom, Ireland, West Germany and most recently in some Eastern European countries. The other division distributes facsimile transmission devices in Canada and the United Kingdom marketed under the name "DEX" which are manufactured by Graphic Sciences, Inc., now a subsidiary of Burroughs Corp.

GCL had a consolidated net loss for 1974 of approximately $123,000. The loss of approximately $866,000 in the DEX operations was partially offset by the profit of approximately $743,000 in the computer input operations.

City Associated operated profitably in 1974 and paid out $84,000 in dividends during the year.

I.M.M. VENTURES LIMITED

Through its wholly-owned subsidiary I.M.M. Ventures Limited the Company owns an interest in certain ventures acquired principally in 1969 and 1970 and including the following:

73.7% of the issued shares of Electrical Contacts Limited which manufactures and sells products processed from metal powders to manufacturers of electrical equipment; 50.5% of the issued shares of Federal Drilling Supplies Limited which manufactures and sells drilling parts and supplies to the diamond drilling and mining industries; 49.0% of the issued shares of Galanty Limited which in turn owns 5.3% of the issued common shares of Channel Seventy-Nine Limited and 80.0% of the issued shares of Nielbeck Research and Manufacturing Limited which is engaged in designing and developing coin changing units for the automatic vending machine industry.

During 1974 Electrical Contacts improved sales by 150% and reported a small profit for the year. A plant expansion was completed which should accommodate additional manufacturing requirements for a number of years.

Federal Drilling Supplies improved sales by 21% over the previous year and provided a satisfactory net profit for the year. Early in 1975 an agreement was entered into providing for the sale of the Company's interest in Federal Drilling for $500,000 cash. In addition, the Company agreed to provide management and other services to Federal Drilling for a period of ten (10) years at a fee of $37,500 per annum. The agreement of sale is subject to compliance with the Foreign Investment Review Act before becoming effective.

Nielbeck Research and Manufacturing Limited continued to develop equipment for sale to the vending industry and during the year an arrangement was made with a manufacturer in the United States to manufacture and market its products in that country.

In addition to its investments in the above mentioned ventures, I.M.M. has also acquired approximately 27% of the preference shares and 20% of the common shares of 275860 Ontario Ltd., a company which holds food and beverage distribution rights in the new complex known as 2 Bloor Street West, Toronto, which consists of a 34-storey office building and a large shopping concourse. Since commencing business 275860 Ontario Ltd. has opened a fast food non-licensed outlet and a licensed delicatessen. Additional facilities planned include a 144-seat licensed luncheon room which is almost completed, a licensed steakhouse, a second fast-food outlet and a combined 250-seat food and beverage facility.

NEW QUEBEC RAGLAN MINES LIMITED

The Company's holdings of 567,420 shares of Raglan, being 7.3% of the outstanding shares, did not change during the year. Falconbridge Nickel Mines Limited beneficially owns approximately 68.3% of Raglan's outstanding shares.

No work was carried out in 1974 on Raglan's property which comprises over 300 square miles in the nickel-copper belt of the Cape Smith-Wakeham Bay sector of the Ungava area of Quebec. However, the directors of Raglan report that studies continued on the feasibility of bringing the property into production.

Raglan's ore reserves did not change during the year and are estimated, including dilution, as follows:

		Grade	
	Tons	%Ni	%Cu
Donaldson Mine-Underground Exploration Well Assured Reserves	3,021,000	3.06	0.73
Katiniq Deposit-Surface Drilling Indicated by Closely Spaced Holes	5,276,000	2.42	0.70
Assumed Extensions of Ore within Lateral Limits of Drilling	5,000,000	2.42	0.70
2-Area-Surface Drilling	660,000	2.43	0.72
Assumed Extensions of Ore within Lateral Limits of Drilling	500,000	2.43	0.72
3-Area-Surface Drilling	1,093,000	2.81	0.69
Assumed Extensions of Ore within Lateral Limits of Drilling	500,000	2.81	0.69
	16,050,000	2.58	0.71

Real Estate

Early in 1974 the Company purchased the twelve-storey office building and a leashold interest in the land at 365 Bay Street Toronto. During 1974 the building operated at a modest profit and returned a positive cash flow after payment of mortgage principal instalments and interest.

The Company also owns a 90% interest in approximately 1,000 acres of land located 16 miles from downtown Ottawa with an extensive frontage on the Gatineau River. The property is favourably located in relation to Ottawa and Hull for both primary and secondary home development.

Exploration

The exploration activities of International Mogul during 1974 in Canada, United States of America, Philippines, Spain, Portugal, Italy, Australia and Ireland are briefly reviewed as follows:

Canada

In Canada exploration work in search for economic mineral deposits were confined to the Provinces of Ontario, Quebec, Newfoundland and the Northwest and Yukon Territories.

(i) In Ontario, eleven drill holes were drilled in Mann Township to investigate favorable geophysical targets. Sulphides intersected were barren of economic minerals.

(ii) In Quebec, on its own account and through a joint venture with Bethlehem Copper Corporation Limited, eighteen drill holes were completed in the Normetal-Macamic and the Amos areas to test favorable geophysical indications in excellent geological environments. Results were interesting in one hole and additional testing is planned for 1975.

(iii) Two sizeable concessions in the Central Mobile Belt of Newfoundland under option from Newfoundland and Labrador Corporation Limited and Reid Newfoundland Company Ltd. were explored.

In the Lewisporte-Birchy Bay area, the company completed fifteen drill holes to investigate interesting geophysical indications. However, mineralization encountered proved to be uneconomic.

In the Gander-Ragged Harbour area, being explored as a joint venture project with Bethlehem Copper Corporation Limited detailed surface programs were completed which indicated the presence of interesting base metal mineralization together with favorable geophysical anomalous conditions in an excellent geological environment. A substantial program is planned for 1975, including diamond drilling.

(iv) In the N.W.T. and Yukon Territories, International Mogul participated in several syndicated ventures of which the Arctic Red Project was the most significant.

(v) No further work was done during the year on the property of Duncan Range Iron Mines Limited an associated company effectively controlled by International Mogul. The Duncan Range property is located in the James Bay area of Quebec and it is estimated, based on past drilling, that there is a potential reserve sufficient to produce in excess of 100,000,000 tons of iron pellets if production becomes feasible in the future.

(vi) The Lake Ainslie barite-fluorite property on Cape Breton Island, Nova Scotia, contains drill indicated reserves of approximately 4.5 million tons grading an average of 33.37% barite and 17.42% fluorite. Additional research work is required followed by pilot milling to establish whether or not this project is viable. Discussions are presently taking place with prospective partners to further develop this prospect.

United States

(i) Through the Cordex I Syndicate, Mogul participates in the development of the Pinson Gold Deposit in Nevada. Mogul has a 20% interest along with Rayrock, Lacanex, Sisco Metals and Cordilleran Explorations.

Drilling has indicated an open pit mineable reserve in the Pinson deposit of 1,688,000 tons grading 0.182 oz/ton. The Preble zone, located 15 miles south of the Pinson orebody contains approximately 1,200,000 tons grading 0.074 oz/ton.

Initial feasibility studies indicate that the Pinson orebody can be brought into production at a rate of 1,000 T.P.D. at a total capital cost of approximately $11,000,000 using a conventional gold milling process and all new equipment. Approximately $1,000,000 of this has already been spent. At $150 gold pay-back would be approximately four years.

Final feasibility studies are in progress and financing arrangements are currently being discussed with third parties.

(ii) A regional exploration program was conducted in Central Tennessee, confined to the Beech Grove Lineament. Extensive geological, geochemical and geophysical surveys were completed which revealed four target areas warranting investigation by diamond drilling. An agreement covering participation by Bear Creek Mining (Kennecott Copper) was concluded and drilling plans were formulated for 1975.

(iii) The company maintains its interest in the Oregon laterite deposits and these holdings were under option to Interamerican Nickel.

Philippines

Enterprise Exploration Corporation, a joint venture with Brascan Resources, Otter Exploration and International Mogul was formed to seek out exploratory and development targets in the Philippines. Following establishment of offices and acquisition of operating personnel, in excess of twenty mining properties were examined. Several properties were selected as to containing good potential and negotiations were in progress to acquire these for further exploration and development.

Spain, Portugal and Italy

Activities in Spain and Portugal were limited in scope. Exploration was concentrated in Italy particularly in the northern and central Apennine regions of the country. Limited diamond drilling was performed in the Libiola and Rossola Mine areas, but results were not to expectations.

Towards the latter part of 1974, negotiations were well advanced with Egam, an Italian government natural resource agency, as to participation in the exploration and development of copper bearing prospects in Northern Italy.

It is proposed that various property holdings be pooled with the Italian agency, and that the new exploration company would be 51% held by Egam who would contribute funds to earn its interest in the joint venture prior to further contributions by International Mogul.

Republic of Ireland

Basin Exploration (Ireland) Limited, a wholly owned subsidiary, continued limited exploration for base metals on various prospecting licenses in Counties of Sligo, Rosconimon, Dublin, Meath, Galway and Leitrim through a joint venture agreement with Bethlehem Copper Corporation Limited.

Australia

International Mogul is participating with Otter Explorations on various grass roots exploration ventures in Western Australia, with particular emphasis for nickel in Archean-Proterozoic terrain which have been productive and account for the nickel production to date of Western Australia.

Supplementary Financial Information

In accordance with good reporting practices and to assist our shareholders toward a fuller understanding of International Mogul's financial statements, we offer the following supplementary information.

Consolidated Statement of Income

The Company had a consolidated net loss for the year before extraordinary items of $9,068,000 compared with net income of $6,599,000 in 1973.

Comparison of individual items in the consolidated statement of income for 1974 and 1973 indicates large differences in some items. The larger differences and the reasons for them follows:

(a) Revenue from production of concentrates by Mogul of Ireland Limited increased insignificantly over 1973. Higher metal prices for zinc and lead which existed throughout 1974 were offset by the milling of lower grade ore. There was relatively no change in tonnage of ore milled. Mine operating costs increased by $2,229,000 due to higher labour, service and supply costs.

(b) The sale of manufactured goods and services increased significantly over 1973. This increase was a result of a higher sales volume by the I.M.M. Ventures Limited group.

(c) There was a general increase in nearly all areas of administrative and general expenses throughout the consolidated group of companies, with the added costs of establishing an organization for the supervision and maintenance of the Company's oil and gas interests in Texas.

(d) Details of the Company's long-term debt are outlined in note 9 to the Consolidated Financial Statements. The balance of $7,307,000 at the end of 1974 was outstanding for almost all of the year whereas the balance of $4,392,000 at December 31, 1973 was outstanding for only a short period. As a result there is an increase of $642,000 in the interest on long-term debt.

(e) As a result of increased bank borrowings and higher interest rates, the Company's interest position changed from net interest income in 1973 to net interest expense in 1974.

(f) The loss on currency revaluation, in the amount of $817,000 is mainly attributable to our Australian operations and results from the translation into Canadian funds on consolidation of assets stated in Foreign currencies.

(g) The loss on investments, marketable securities and fixed assets of $8,935,000 is attributable to the write down of marketable securities in the amount of $7,767,000 and the net realized loss of $1,168,000 on the sale of securities and fixed assets. Of this $8,935,000 loss, $1,228,000 is borne by the minority interests in the Australian subsidiary companies.

(h) The losses suffered by the Pine Vale Group of Companies are responsible for the large decrease in the interests of minority shareholders of subsidiaries. Most of the Companies included in the consolidated financial statements have minority shareholders and the following analysis of the consolidated statement of income outlines their interests:

	Per Statement of Income	Interest of Minority Shareholders	Net
Revenue			
Production of concentrates	$21,581,000	$5,395,000	$16,186,000
Sales of manufactured goods and services	2,947,000	783,000	2,164,000
	24,528,000	6,178,000	18,350,000
Expenses			
Cost of concentrate production	11,843,000	3,006,000	8,837,000
Cost of manufactured goods sold and services	2,010,000	594,000	1,416,000
Depreciation, depletion and amortization	2,002,000	542,000	1,460,000
Royalty expense	47,000	12,000	35,000
Administrative and general expense	1,743,000	198,000	1,545,000
Interest on long-term debt	748,000	110,000	638,000
Exploration & property maintenance	1,275,000	831,000	444,000
Exploration expenditures and related costs on properties abandoned	1,694,000	320,000	1,374,000
	21,362,000	5,613,000	15,749,000
Income before undernoted items	3,166,000	565,000	2,601,000
Other Items (net)			
Interest expense	396,000	(113,000)	509,000
Loss on currency fluctuations	817,000	30,000	787,000
Loss on investments, marketable securities and fixed assets	8,935,000	1,228,000	7,707,000
	10,148,000	1,145,000	9,003,000
	6,982,000	580,000	6,402,000
Income taxes	3,542,000	876,000	2,666,000
Loss before extraordinary items	$10,524,000	$1,456,000	$ 9,068,000

Auditors' Report

To the Shareholders of
INTERNATIONAL MOGUL MINES LIMITED

We have examined the consolidated balance sheet of International Mogul Mines Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

Toronto, Canada
May 31, 1975
(June 25, 1975 as to note 15)

International Mogul Mines Limited
(Incorporated under the laws of Ontario)
and subsidiary companies

Consolidated Balance Sheet

December 31, 1974
(with comparative figures at December 31, 1973)

Assets	**1974**	1973
CURRENT ASSETS		
Cash and short-term deposits	**$ 2,676,000**	$ 4,011,000
Accounts receivable	**2,348,000**	1,710,000
Concentrates on hand and in process of settlement, at net realizable value	**1,856,000**	4,127,000
Marketable securities (note 3)	**4,229,000**	6,635,000
Inventories, at lower of cost, replacement cost and net realizable value	**1,766,000**	1,464,000
Prepaid expenses and deposits	**331,000**	460,000
Investment in The Grand Bahama Development Company, Limited, at net realizable value		4,398,000
	13,206,000	22,805,000
INVESTMENTS (note 4)	**9,849,000**	15,287,000
FIXED ASSETS (note 5)	**17,274,000**	13,966,000
INTERESTS IN GAS PRODUCTION (note 6)	**2,152,000**	3,835,000
PROPERTY INTERESTS and DEFERRED EXPLORATION		
Mining	**5,309,000**	5,027,000
Oil and gas	**862,000**	703,000
	6,171,000	5,730,000
DEFERRED PREPRODUCTION EXPENDITURES and other charges, amortized value	**4,908,000**	5,587,000
	$53,560,000	$67,210,000

LIABILITIES	**1974**	1973
CURRENT LIABILITIES		
Bank loans (note 7)	**$ 9,421,000**	$ 4,520,000
Dividends payable	**88,000**	416,000
Accounts payable and accrued liabilities	**2,961,000**	3,558,000
Royalties payable	**44,000**	383,000
Income taxes payable (note 8)	**458,000**	273,000
Current portion of long-term debt	**1,927,000**	2,129,000
	14,899,000	11,279,000
INCOME TAXES PAYABLE IN 1976	**2,308,000**	
LONG-TERM DEBT (note 9)	**5,380,000**	2,263,000
DEFERRED INCOME TAXES (note 8)	**2,684,000**	1,690,000
INTERESTS OF MINORITY SHAREHOLDERS (note 10)	**5,035,000**	10,125,000
Shareholders' Equity		
CAPITAL STOCK (notes 11 and 12)	**16,898,000**	16,924,000
CONTRIBUTED SURPLUS	**2,078,000**	2,069,000
RETAINED EARNINGS	**5,096,000**	22,860,000
	24,072,000	41,853,000
COST OF COMMON SHARES ACQUIRED (note 11)	**(818,000)**	
	23,254,000	41,853,000
	$53,560,000	$67,210,000

Approved by the Board:

"D. W. KNIGHT", Director

"L. C. BURNS", Director

International Mogul Mines Limited
and subsidiary companies

Consolidated Statement of Income

Year ended December 31, 1974
(with comparative figures for 1973)

	1974	1973
REVENUE		
Production of concentrates	**$21,581,000**	$21,460,000
Sale of manufactured goods and services	**2,947,000**	2,104,000
	24,528,000	23,564,000
EXPENSES		
Cost of concentrate production	**11,843,000**	9,614,000
Cost of manufactured goods sold and services	**2,010,000**	1,755,000
Depreciation, depletion and amortization	**2,002,000**	1,852,000
Royalty expense	**47,000**	412,000
Administrative and general expense	**1,743,000**	1,411,000
Interest on long-term debt	**748,000**	106,000
Exploration and property maintenance	**1,275,000**	1,014,000
Exploration expenditures and related costs on properties abandoned	**1,694,000**	865,000
	21,362,000	17,029,000
Income before undernoted items	**3,166,000**	6,535,000
OTHER ITEMS (net)		
Interest income (expense)	**(396,000)**	316,000
Gain (loss) on currency revaluations and translations	**(817,000)**	1,933,000
Gain (loss) on investments, marketable securities and fixed assets	**(8,935,000)**	636,000
	(10,148,000)	2,885,000
	(6,982,000)	9,420,000
Income taxes (note 8)	**3,542,000**	1,729,000
Income (loss) before interests of minority shareholders and extraordinary items	**(10,524,000)**	7,691,000
Interests of minority shareholders in net income (losses) of subsidiaries	**(1,456,000)**	1,092,000
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	**(9,068,000)**	6,599,000
Extraordinary items (note 13)	**(8,022,000)**	(1,850,000)
NET INCOME (LOSS) FOR THE YEAR	**$(17,090,000)**	$ 4,749,000

	1974	1973
EARNINGS (LOSS) PER COMMON SHARE (after preference share dividends)		Restated Note 8
Before extraordinary items	**$(3.67)**	$2.44
Net income (loss) for the year	**$(6.79)**	$1.73

Consolidated Statement of Retained Earnings

Year ended December 31, 1974
(with comparative figures for 1973)

	1974	1973
Retained earnings at beginning of year		
As previously reported	**$24,128,000**	$19,497,000
Income taxes adjustment for 1973 (note 8)	**1,268,000**	
As restated	**22,860,000**	19,497,000
Net income (loss) for the year	**(17,090,000)**	4,749,000
	5,770,000	24,246,000
Deduct		
Dividends		
Common shares	**323,000**	652,000
Preference shares	**351,000**	225,000
Prior years' income taxes		102,000
Preference share issue expense		407,000
	674,000	1,386,000
RETAINED EARNINGS AT END OF YEAR	**$ 5,096,000**	$22,860,000

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1974
(with comparative figures for 1973)

	1974	1973
SOURCES OF WORKING CAPITAL		
From operations		
Income (loss) before interests of minority shareholders and extraordinary items	$(10,524,000)	$ 7,691,000
Charges against income not involving working capital		
Depreciation, depletion and amortization	2,002,000	1,852,000
Deferred income taxes	3,302,000	1,690,000
Other (including write-down of investments)	6,892,000	96,000
	1,672,000	11,329,000
Increase in long-term debt	3,267,000	1,118,000
Fixed asset disposals	667,000	764,000
Issue of capital stock of a subsidiary to minority shareholders	98,000	230,000
Issue of preference and common shares for cash		6,007,000
Net realizable value of investment in The Grand Bahama Development Company, Limited		4,398,000
Cost of investments sold		1,203,000
Extraordinary losses		(1,850,000)
Incentive grants and other		323,000
	5,704,000	23,522,000
USES OF WORKING CAPITAL		
Additions to fixed assets	5,348,000	1,786,000
Interests in gas production	3,523,000	3,835,000
Investments in shares and advances	2,871,000	7,921,000
Dividends of Mogul of Ireland Limited paid to a minority shareholder	2,597,000	2,242,000
Property interests and deferred exploration	1,494,000	2,585,000
Additional acquisitions in the Pine Vale Group	1,233,000	1,454,000
Purchase of common shares for treasury	818,000	
Dividends on preference and common shares	674,000	877,000
Deferred preproduction expenditures	198,000	165,000
Reduction of long-term debt	150,000	892,000
Cost of preference shares purchased for cancellation	17,000	103,000
Preference share issue expense		407,000
Prior years' income taxes		102,000
	18,923,000	22,369,000
Increase (decrease) in working capital position	(13,219,000)	1,153,000
Working capital at beginning of year (note 4)	11,526,000	10,373,000
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	$ (1,693,000)	$11,526,000

Notes to Consolidated Financial Statements

Year ended December 31, 1974

1. Statement of Significant Accounting Policies

(a) Translation of Foreign Currencies

Current assets, current liabilities and long-term debt have been translated at the prevailing rates of exchange at the balance sheet date. Fixed and other assets and related depreciation, depletion and amortization have been translated at the average rates of exchange for the years in which they were acquired. Income and expense items, excluding depreciation, depletion and amortization, have been translated at the average rates of exchange for the year.

Gains or losses on currency revaluations and translations are reflected in the Consolidated Statement of Income in the year in which they arise.

(b) Marketable Securities

Marketable securities are carried at the lower of total quoted market value of all marketable securities and total cost.

(c) Investments

Investments in shares are valued at cost or less depending upon the underlying value of the investment, its quoted market value and Company investment policies. In some instances, investments are valued in excess of quoted market value. Because of the number of shares held in certain companies, the quoted market values are not necessarily indicative of the value of the investments, which may be more or less than indicated by market quotations.

(d) Fixed Assets

Land, buildings, plant and equipment, mineral leases and rights are carried at cost or less.

Gains or losses on the sale of fixed assets are reflected in operations unless of an extraordinary nature.

(e) Depreciation, Depletion and Amortization

Mogul of Ireland Limited provides for depreciation of fixed assets, depletion of mineral leases and rights and amortization of deferred preproduction expenditures and other charges on a straight line basis. These assets will be written off over the life of the mine based on ore reserves established from time to time, except for certain fixed assets whose life is estimated to be shorter than that of the mine.

Depreciation is provided on the North American and Australian fixed assets on a straight line basis at the following annual rates:

Buildings	2.5% to 5%
Plant and equipment	5% to 33.3%

(f) Interests in Gas Production

The Company holds various royalty and working interests in gas properties in the United States of America. These properties are carried at acquisition cost or less.

The carrying values of these interests will be written off over the life of the field based on reserves established from time to time.

(g) Property Interests and Deferred Exploration

The Company holds various non-producing interests in mining, oil and gas properties and leases in various areas of the world. These interests are carried at acquisition cost together with the cost of direct exploration and development work thereon. It is the Company's practice to defer the costs of these interests and carry them as an asset to be amortized against future production. If the Company determines that it has no further interest in the property, project or lease, the related costs are written off to income.

(h) Earnings (Loss) per Common Share

Earnings (loss) per common share are calculated using the weighted monthly average number of common shares outstanding net of common shares of the Company purchased during the year. Dividend requirements of First Preference Shares were deducted for purposes of these calculations.

2. Basis of Consolidation

(a) Subsidiaries Consolidated

The consolidated statements include the accounts of all the Company's subsidiaries, the principal ones being:

	% Owned	Accounts Expressed in
Mogul of Ireland Limited	75	£ Sterling
I. M. M (Trading) Pty. Limited	100	$ Australian
I. M. M. Ventures Limited	100	$ Canadian
Mogul Petroleum Corporation	100	$ United States
Caliph Resources, Inc.	100	$ United States

(b) I. M. M. (Trading) Pty. Limited and The Pine Vale Group

I. M. M. (Trading) increased its interest in The Pine Vale Group from 59.9% to 62.1%.

In June 1974 The Pine Vale Group disposed of its interest in Drilling Contractors (Australia) Pty. Limited and acquired the balance (49.4%) of the shares of Parkland and Properties Limited which was previously 50.6% owned. The results of Drilling Contractors (Australia) Pty. Limited have been included up to date of disposal and results from the additional acquisition of Parkland and Properties Limited have been included from date of acquisition.

(c) Caliph Resources, Inc.

Effective November 30, 1974 the Company assumed the U.S. $2,500,000 bank loan of Mindamar Energy Resources Limited which it had previously guaranteed. As a result, the Company purchased Mindamar's interest in its wholly-owned operating subsidiary Caliph Resources, Inc. and certain other Mindamar assets having a total value of approximately $2,070,000. The resultant loss on the guarantee of $590,000 has been included as an extraordinary item in the Consolidated Statement of Income.

The Company has accounted for the acquisition of Caliph by the purchase method and results of Caliph's operations are included in these statements from the effective date.

Details of the acquisition of Caliph and certain other Mindamar assets are as follows:

Assets acquired at fair value	
Interests in gas production	$1,088,000
Oil and gas property interests	640,000
Other assets	342,000
	2,070,000
Excess of liabilities assumed over fair value of assets acquired	590,000
	$2,660,000
Liabilities assumed	
Bank loan (U.S. $2,500,000)	$2,470,000
Other	190,000
	$2,660,000

On the books of Caliph and Mindamar the carrying value of the assets disposed was $4,677,000.

Mindamar retains a 15% to 25% residual interest in the net cash flow from the Lipan field after the Company has recovered its investment in that field.

The sale of assets was approved at a general meeting of shareholders of Mindamar on March 20, 1975. The transaction will close after all requisite corporate approvals have been obtained by Mindamar.

3. Marketable Securities

Marketable securities are carried at the lower of total quoted market value of all marketable securities and total cost. Quoted market value at December 31, 1974 was $4,229,000 (1973, $6,507,000).

Certain of these marketable securities have been pledged to the bank.

4. Investments

	1974	1973
Shares with quoted market value (quoted market value 1974, $3,231,000; 1973, $9,737,000)	$ 3,490,000	$ 8,106,000
Shares without quoted market value and advances	2,204,000	2,417,000
	5,694,000	10,523,000
Associated Companies, Coldstream Mines Limited and its subsidiaries		
Shares with quoted market value (quoted market value 1974, $285,000; 1973, $1,246,000)	436,000	3,004,000
Advances	3,719,000	1,760,000
	4,155,000	4,764,000
	$ 9,849,000	$15,287,000

In 1975 advances to associated companies have increased to approximately $4,443,000 (note 15).

Certain accounts receivable from associated companies at December 31, 1973 have been reclassified under advances. The effect of this reclassification is to reduce working capital at that date by $365,000.

5. Fixed Assets

	1974	1973
In Ireland, at cost		
Mineral leases and rights	$ 1,806,000	$ 1,806,000
Land, buildings, plant and equipment	12,171,000	12,016,000
In North America, at cost or less		
Land, buildings, plant and equipment	5,723,000	1,328,000
In Australia, at cost		
Land, buildings, plant and equipment	4,201,000	4,771,000
	23,901,000	19,921,000
Less accumulated depreciation and depletion	6,627,000	5,955,000
	$17,274,000	$13,966,000

6. Interests in Gas Production

In December 1973 the Company acquired a royalty interest in a gas field in Hemphill County, State of Texas for $1,175,000. On February 25, 1974 the Company acquired an additional royalty interest in the same gas field for $970,000. Subsequently it was discovered that these royalty interests have a value significantly less than their purchase price. It was decided to write down the investment to an amount which it is estimated will be recovered by royalty payments. The Company provided $1,070,000 in 1973 and a further $905,000 in 1974 against the cost of these interests. Legal action has been taken to recover the total investment in their royalty interests and Counsel has advised that the Company has a valid action against the vendors.

During 1974 it was discovered that the potential of certain of the Company's other interests in gas production was considerably less than anticipated. Consequently the Company has written down its interests in these producing gas properties by $3,501,000 and written off its investment in Mindamar Energy Resources Limited totalling $3,026,000. Mindamar's interests in gas production were in the same areas as those of the Company and the Company subsequently acquired substantially all of its assets by assuming its bank loan (note 2(c)).

7. Bank Loans

The Company's bank loans are secured by the pledge of its shares in Mogul of Ireland Limited, certain investments and marketable securities and the assignment of its interest in certain gas production in the State of Texas, U.S.A.

8. Income Taxes

In July 1974 the Irish Government enacted legislation withdrawing the twenty-year tax exemption period on mining profits earned subsequent to April 5, 1974 by producing companies and Mogul of Ireland Limited became liable to taxes at the rate of approximately 50% on profits from that date.

Irish income taxes for the taxation years ending April 5, 1975 and 1976 are based on income earned in 1973 and 1974 subject to a transitional provision, which Mogul of Ireland elected to take advantage of, allowing the 1974 profits to serve as the basis for two years of taxation instead of having the 1973 profits serve as a basis for one of the years. Accordingly, income taxes have been provided in 1974 on the 1974 income from mining operations and an additional provision for income taxes of $1,690,000 has been provided in the 1973 accounts and the accounts have been restated to reflect this adjustment.

9. Long-Term Debt

	1974	1973
Long-term debt consists of:		
8⅝% to 17¾% mortgages maturing 1976	$2,187,000	$2,292,000
9% notes payable maturing 1975 and 1976	2,050,000	2,100,000
5¾% to 10% mortgages maturing 1979 and 1995	3,070,000	
	7,307,000	4,392,000
Less current portion included in current liabilities	1,927,000	2,129,000
	$5,380,000	$2,263,000

Instalments on these mortgages and notes due in the next five years are as follows:

1975	$1,927,000
1976	2,419,000
1977	59,000
1978	62,000
1979	659,000

10. Interests of Minority Shareholders

Interests of minority shareholders are attributable as follows:

	1974	1973
Mogul of Ireland Limited	$2,808,000	$ 4,379,000
Pine Vale Group	2,069,000	5,448,000
Other subsidiaries	158,000	298,000
	$5,035,000	$10,125,000

11. Capital Stock

Authorized
991,400 First Preference Shares, par value $20 each
4,000,125 Common Shares without par value

Issued	No. of shares	Par value and consideration
6% Cumulative Redeemable Convertible First Preference Shares Series A		
Balance at beginning of year	292,700	$ 5,854,000
Purchased for cancellation	(1,300)	(26,000)
Balance at end of year	291,400	5,828,000
Common Shares (no change during year)	2,608,097	11,070,000
		$16,898,000

During the year the Company purchased 139,400 of its issued common shares at a cost of $818,000. These shares have not been cancelled.

The Series A shares are convertible into common shares of the Company as follows:

(a) up to April 1, 1978 — 1¼ common shares for each Series A share

(b) thereafter to April 1, 1983 — 1-1/9 common shares for each Series A share.

The Company is required, in each of the twelve month periods from April 1, 1974 to 1977 inclusive, to make all reasonable efforts to purchase for cancellation in the open market that number of shares which may be purchased out of the lesser of $120,000 or 10% of the consolidated net earnings available for dividends for the immediately preceding fiscal year after deducting dividends paid in that year on the Series A shares, and in each twelve month period thereafter that number which may be purchased out of the lesser of $300,000 or 10% of the consolidated net earnings after Series A dividends. The Company has fulfilled this requirement for the period ending April 1, 1975.

12. Employee Stock Options

The following employee stock options were outstanding at December 31, 1974:

Year of Grant	Option Price Per Common Share	No. of Common Shares	Expiry Date
1971	$ 7.50	8,240	October 1, 1976
1973	$12.50	79,200	February 12, 1978
1974	$ 7.65	1,000	January 7, 1979
		88,440	

Options on 3,000 common shares expired on the resignation of employees.

All options granted under the employee incentive option plan were at a price of not less than 90% of the market value of the common shares at the date of grant. The options are in good standing for five years from the date of grant, exercisable on a cumulative basis as to 20% of the shares in any one year.

13. Extraordinary Items

	1974	1973
Write down of interests in gas production (note 6)	$6,527,000	
Loss on guarantee of bank loan of Mindamar Energy Resources Limited (note 2(c)).	590,000	
Write down of investment in The Grand Bahama Development Company, Limited to net realizable value		$ 780,000
Write down of royalty interest in Hemphill County, Texas to estimated realizable value (note 6)	905,000	1,070,000
As shown on Consolidated Statement of Income	$8,022,000	$1,850,000

14. Other Information

Direct remuneration of the Company's directors and senior officers from the Company and its subsidiaries was $465,000 ($407,000 in 1973).

15. Subsequent Event

As further security for advances to Coldstream Mines Limited and a subsidiary, the Company obtained a series of 30-day demand debentures of Coldstream dated June 25, 1975 for a total of $4,443,000 with interest at 2 percentage points above International Mogul's bank rate. The debentures are secured by a floating charge on the property and assets of Coldstream and its subsidiaries subject to prior security in favour of the bank.

Printed in Canada.